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W-01303A-04-0602

1-13-2005

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1 BEFORE THE ARIZONA CORPORATION COMMISSION

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3 IN THE MATTER OF THE APPLICATION)
4 OF ARIZONA AMERICAN WATER COMPANY) DOCKET NO.
5 FOR AN EXTENSION OF ITS) W-01303A-04-0602
6 CERTIFICATE OF CONVENIENCE AND)
NECESSITY TO PROVIDE WATER UTILITY)
SERVICES IN ITS TUBAC WATER)
DISTRICT.)

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At: Tucson, Arizona

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Date: January 13, 2005

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Filed: JAN 27 2005

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

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ORIGINAL



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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in a conference room of
4 said Commission, 400 West Congress Street, Tucson,
5 Arizona, commencing at 10:00 a.m., on the 13th day of
6 January, 2005.

7
8 BEFORE: JANE L. RODDA, Administrative Law Judge

9 APPEARANCES:

10 For the Arizona Corporation Commission:

11 Mr. David M. Ronald
12 Staff Attorney, Legal Division
1200 West Washington Street
13 Phoenix, Arizona 85007-2927

14 For the Applicant:

15 Mr. Craig Marks
16 Attorney at Law
19820 North 7th Street, Ste. 201
17 Phoenix, Arizona 85024

18 For Tubac Management Company, L.L.C.:

19 MOYES STOREY, Ltd.
20 By Mr. Steve Wene
1850 North Central Avenue, Suite 1100
21 Phoenix, Arizona 85004

22

23

24 CECELIA BROOKMAN, RPR
25 Certified Court Reporter
Certificate No. 50154
(Appearing telephonically)

1 ALJ RODDA: Let's go on the record. This is
2 the time set for the hearing in docket W-01303A-04-0602,
3 which is the matter of the application of Arizona American
4 Water Company for extension of its CC&N.

5 Good morning, everyone, my name is Jane Rodda
6 and I'm the administrative law judge assigned to this
7 matter.

8 First thing we'll do this morning is take
9 appearances of the parties. And so on behalf of the
10 applicant Arizona American Water.

11 MR. MARKS: Good morning, Your Honor, Craig
12 Marks on behalf of American Arizona Water Company.

13 ALJ RODDA: On behalf of the intervenor Tubac
14 Management Company, L.L.C.

15 MR. WENE: Good morning, Your Honor, Steve
16 Wene.

17 ALJ RODDA: Thank you. On behalf of
18 Commission Staff.

19 MR. RONALD: David Ronald, Your Honor.

20 ALJ RODDA: Are there any matters you need to
21 discuss preliminarily before I ask if there's any public
22 comment?

23 MR. MARKS: As a preliminary matter, Your
24 Honor, I've marked as Exhibit A-1 a copy of the certified
25 mailing to the property owners within the requested area

1 of expansion, and a copy of the affidavit of publication
2 in the local newspaper, notifying the public of this
3 proceeding.

4 ALJ RODDA: Thank you. Is there anything else
5 preliminarily?

6 (No response.)

7 ALJ RODDA: This is the time for public
8 comments and I'll ask if there are any members of the
9 public present this morning who wish to make public
10 comment on this matter.

11 (No response.)

12 ALJ RODDA: Let the record reflect there are
13 no members of the public present this morning who wish to
14 make public comment. So I'll ask Mr. Marks, do you have
15 an opening you want to make this morning?

16 MR. MARKS: No opening, Your Honor.

17 ALJ RODDA: Mr. Wene, did you have any
18 opening?

19 MR. WENE: No, Your Honor.

20 ALJ RODDA: Mr. Ronald?

21 MR. RONALD: No, Your Honor.

22 ALJ RODDA: Thank you. Who is your witness
23 today, Mr. Marks?

24 MR. MARKS: I'd like to call Frederick
25 Schneider to the stand, if I might, Your Honor.

1 FREDERICK SCHNEIDER,
2 called as a witness, having been first duly sworn by the
3 Certified Court Reporter to speak the truth and nothing
4 but the truth, was examined and testified as follows:

5

6 DIRECT EXAMINATION

7 BY MR. MARKS:

8 Q. Please state your name and business address
9 for the record.

10 A. My name is Frederick K. Schneider. Our
11 business address is 19820 North Seventh Street, Suite 201,
12 Phoenix, Arizona, 85024.

13 Q. Where are you employed and in what capacity?

14 A. I'm employed by American Water Works Service
15 Company. I am a director of engineering for the western
16 region and the western region is comprised of 14 states of
17 water/wastewater utility subsidiaries, including Arizona
18 American Water, and states as California, Arizona, Hawaii,
19 New Mexico, and Texas.

20 Q. Would you provide your educational background
21 for us, please.

22 A. I have a bachelor of science degree in
23 hydrology from the college of engineering and mines at the
24 University of Arizona, Tucson, graduated 1990. I also
25 have finished course work towards a master's degree in

1 business administration. I have completed course work in
2 the area towards a master's degree in business
3 administration from the University of Phoenix.

4 Q. What is your work experience, please?

5 A. While I was still in college I served as a
6 laboratory technician with the United States Department of
7 Agriculture, and also as an engineering intern with the
8 City of Tucson in the water department and engineering
9 department.

10 After graduation, I joined Boyle Engineering
11 in Phoenix, Arizona, worked for them till 1995, then I
12 went to Wood/Patel & Associates, worked there until 1998,
13 at which time I started Citizens Utilities, then worked
14 through Citizens Utilities as of this time. It was
15 purchased by American Water.

16 At Citizens Utilities I was an engineering
17 manager. I continued that position with Arizona American
18 Water until 2003, at which time I was promoted to manager
19 of operations for Arizona. I continued that employment
20 till mid last year, at which time I was promoted to
21 director of engineering of the western United States.

22 Q. What are your responsibilities as director of
23 engineering for American Water Utilities?

24 A. I am responsible for the capital planning and
25 engineering of water and wastewater activities within the

1 western region.

2 Q. Are you a registered professional engineer?

3 A. Yes, I am. I have been so since 1995.

4 Q. In what states?

5 A. I'm registered in the State of Arizona.

6 Q. Do you hold any other certificates?

7 A. Yes, I do. I own a Grade 3 wastewater
8 collection and water distribution operator, and also a
9 Grade 2 wastewater treatment and water treatment operator.

10 Q. What is the purpose of your testimony today?

11 A. The purpose of my testimony is to support
12 Arizona American's application to extend its Certificate
13 of Convenience and Necessity and to answer any questions
14 that may arise by any of the parties.

15 Q. Are you familiar with the application that was
16 filed in this matter?

17 A. Yes.

18 Q. Did you participate with your staff in the
19 preparation of this application, and to the best of your
20 knowledge, is the information contained in the application
21 accurate and true?

22 A. Yes, it is.

23 Q. Please summarize the application.

24 A. Arizona American Water is asking to extend its
25 Certificate of Convenience and Necessity to provide water

1 service within the new development which is adjacent to
2 and contiguous to our existing certificated service area
3 in Santa Cruz County.

4 Q. What is the relationship of Tubac Water and
5 Arizona American Water?

6 A. Tubac Water is one of Arizona American Water's
7 operating district.

8 Q. Please describe the proposed area to be added
9 to the Certificate of Convenience and Necessity.

10 A. The area consists of 118.9 acres adjacent to
11 and surrounded by our existing water CC&N. The area is
12 fully described on Exhibit A and Exhibit B of our filing.

13 Q. Is the description on the original Exhibit A
14 accurate?

15 A. No, it is not. There was an error on that
16 legal description, and the company submitted a revised
17 Exhibit A on September 15th of 2004, and that exhibit
18 correctly depicts the area where we're looking to add to
19 our CC&N.

20 Q. Is that the proper description that's been
21 attached to the Staff report that is filed?

22 A. Yes.

23 Q. Is there an immediate need to provide water
24 service to this extension area?

25 A. Yes. On June 30th of 2004, Arizona American

1 Water executed a line extension agreement with Tubac
2 Management, L.L.C., whereas Tubac Management will develop
3 253.64 acres of land with single-family homes,
4 approximately 229 lots in Block A, with spa facilities,
5 known as Tubac Golf Resort Development, located between
6 Avenue De Otero and Bridge Road. Under that LXA, Arizona
7 American is required to provide water service to the
8 developments, subject to the Commission's jurisdiction.

9 Q. Has the company submitted the line extension
10 agreement to the Commission?

11 A. Yes, we have. It's attached.

12 Q. What's been marked as Exhibit A-2?

13 A. Yes.

14 Q. You stated that the development will be
15 approximately 254 acres but the application is only for
16 about half that amount, 119 acres. Is that a discrepancy?

17 A. No. The 135 acres of the development is
18 within our existing Certificate of Convenience and
19 Necessity and the company is asking for the remaining 119
20 acres to be added to that service area.

21 Q. Is any other entity serving in this extension
22 area?

23 A. No, there is not.

24 Q. Does Arizona American need to construct any
25 additional facilities to serve in the extension area?

1 A. No. We presently serve 540 customers within
2 our Tubac district. Our water system consists of three
3 wells capable of pumping approximately 1100 gallons per
4 minute, with a 50,000 gallon storage tank. The system is
5 capable of serving approximately 850 customers. As
6 presently contemplated, the new development will add over
7 232 customers over the next five years. Thus, the
8 existing supply system should be adequate to serve the
9 additional customers without constructing any new supply
10 facilities.

11 Q. What about distribution facilities?

12 A. Yes, distribution facilities will need to be
13 built under the line extension agreement with Tubac
14 Management L.L.C. The development will construct in
15 advance all necessary distribution facilities to serve in
16 the development. These facilities include approximately
17 \$350, 000 of future improvement, future water lines, plus
18 approximately \$720,000 for backbone distribution
19 facilities.

20 Q. Does the company have a curtailment plan in
21 place for its Tubac Water district?

22 A. Yes. It was approved by the Commission
23 December 7th, 2004.

24 Q. Will the company have to reduce arsenic levels
25 to serve this development?

1 A. Not specifically for this development, but
2 existing arsenic levels at two of our three wells exceed
3 the new federal minimum standards of 10 parts per billion.
4 Therefore, we are in the process of designing and will be
5 installing a granular iron absorption treatment facility,
6 together with the necessary media required to treat water
7 to below 10 parts per billion before the compliance
8 deadline of January, 2006.

9 In addition, the facility we are building will
10 be large enough to include the service from the well, the
11 Garrett well, into the system.

12 Q. Which customers will benefit from the arsenic
13 treatment facilities?

14 A. All of our customers, including future
15 customers in the extension area will benefit from these
16 facilities.

17 Q. Is Arizona American in good standing with the
18 Arizona Department of Environmental Quality?

19 A. Yes, we are.

20 Q. Is Arizona American in good standing with the
21 Corporation Commission?

22 A. Yes, we are.

23 Q. Is Arizona American franchised to serve in the
24 extension area?

25 A. Yes, and we included a copy of our county

1 franchise from our application as Exhibit E.

2 Q. Does American Water have certified operators
3 and other qualified personnel who have the responsibility
4 for providing service in the extension area?

5 A. Yes, we do.

6 Q. Does Arizona American Water have the financial
7 ability to provide adequate water and sewer service in the
8 extension area?

9 A. Yes, we do.

10 Q. Is Arizona American ready, willing, and able
11 to provide public utility water service to customers in
12 the extension area in accordance with the rules and
13 regulations of the Commission?

14 A. Yes, we are.

15 Q. And finally, in your opinion, is the requested
16 extension -- I'm sorry, more questions. In your opinion,
17 is the requested extension of the CC&N in the public
18 interest?

19 A. Yes, it is.

20 Q. Finally, turning to the Staff report. Are you
21 familiar with the Staff report in this matter that was
22 filed on December 17th, 2004?

23 A. Yes, I am.

24 Q. And what recommendations did Staff make in
25 that report?

1 A. Staff made four recommendations. Staff
2 recommended approval of the application with four
3 conditions. The first condition is charging the company's
4 authorized rate and charges in the extension area.

5 The second one is filing the developer's
6 Arizona Department of Environmental Quality approval to
7 construct.

8 The third one is filing a report on arsenic
9 levels of the production wells and associated treatment
10 facilities, and the fourth is filing developer's
11 certificate of assured water supply.

12 Q. Where and when are these filings to be made?

13 A. All three filings are to be made with Docket
14 Control within 365 days of the date of the Commission's
15 decision approving this application.

16 Q. Does Arizona American have any objection to
17 these conditions?

18 A. No, we do not.

19 Q. Do you recommend that the Commission approve
20 Arizona American's application?

21 A. Yes, I do.

22 Q. Just a little lesson here. When an attorney
23 says he only has one more question, never believe him.

24 Does this conclude your testimony?

25 A. Yes, it does.

1 MR. MARKS: At this point, Your Honor, we
2 would move for the exhibits A-1 and A-2 be admitted, and
3 tender Mr. Schneider for cross-examination.

4 ALJ RODDA: I know that we have marked A-1 and
5 described it for the record as the certificate of mailing,
6 certification of mailing. A-2 is, I think we talked about
7 it, but for the record, it is the application in this
8 matter.

9 Does anyone have an objection to A-1 or A-2.

10 (No response.)

11 ALJ RODDA: A-1 and A-2 are admitted. Thank
12 you very much, Mr. Marks.

13 Do you have any questions, Mr. Wene?

14 MR. WENE: No, Your Honor.

15 ALJ RODDA: I'll ask you, Mr. Ronald, if you
16 have any questions. Are you planning on any other
17 witnesses?

18 MR. MARKS: Not at this point.

19 ALJ RODDA: Mr. Ronald, do you have any
20 questions?

21 MR. RONALD: I have a couple questions. I'll
22 go up there.

23

24

25

1 CROSS-EXAMINATION

2 BY MR. RONALD:

3 Q. Good morning, Mr. Schneider.

4 A. Good morning.

5 Q. Mr. Schneider, the company would like to add
6 Tubac Golf Resort Development; is that correct?

7 A. That's correct.

8 Q. The extension in this case is completely
9 surrounded by the current certificated area; is that
10 correct also?

11 A. That is correct.

12 Q. And there's going to be about 232 connections
13 added to the extension?

14 A. That is correct.

15 Q. It's your belief that existing system has
16 adequate capacity for the additional connection?

17 A. Yes.

18 Q. As far as the arsenic issue, you talked about
19 the absorption treatment method?

20 A. Yes.

21 Q. Can you briefly describe what goes into that
22 in general terms?23 A. In general terms, you have large vessels that
24 are filled with a granular iron media, an absorption
25 media. What you do is actually push the water through the

1 actual vessel and it actually removes the arsenic from the
2 water to a level that is below the 10 parts per billion
3 required by the federal requirements.

4 Q. Then you have to remove the media and put in
5 new media at some point?

6 A. At some point the media does become exhausted.
7 You also have Tubac flush the media just to kind of fluff
8 it up, but in general, you will replace the media once it
9 is exhausted. We'll take periodic samples of the water
10 that comes out of those vessels and monitor and remove the
11 arsenic from the water so that we can actually trend the
12 life of that media and the life of the multiple vessels.
13 As one vessel may reach its useful life we go to the next
14 vessel and reuse that.

15 Q. This is a method that's been already tried out
16 at treatment plants built in other areas?

17 A. Yes.

18 Q. Has it been successful?

19 A. Yes.

20 Q. Do you intend to extend the service with
21 keeping the current rates to the extended area?

22 A. Yes, we do.

23 Q. Were the landowners within this requested area
24 already notified of the proposed extension?

25 A. Yes, they were.

1 Q. Have you received any objections?

2 A. No, we have never received any objections.

3 Q. Are there any residences within that area now
4 that you're aware of?

5 A. That I'm aware of, there are none.

6 Q. How has that area been provided water service?

7 A. To this point it really has not been provided
8 water service. Currently it is undeveloped land as we
9 speak.

10 Q. How is this area getting wastewater service?

11 A. I do not know.

12 Q. That's not your company's intentions, to
13 provide wastewater treatment?

14 A. No, it is our company's intention to supply
15 all the water service to the area.

16 Q. When will this development begin if it's
17 approved?

18 A. Construction is scheduled originally to begin
19 October 2004, but I believe the majority of the
20 construction is pending the approval of this Certificate
21 of Convenience and Necessity application.

22 Q. Will it be done in phases?

23 A. Yes, it will be.

24 Q. For the first phase, how many customers do you
25 anticipate will be served?

1 A. I'll have to refer to customers for the first
2 phase, I don't recall.

3 Q. Have those exhibits already been admitted?

4 A. Yes, they've already been admitted. There's
5 an exhibit as part of the main extension agreement that
6 was filed as well.

7 Q. What about the ADEQ and the certificate of
8 assured water supply? Have you had some difficulties with
9 that, and the developer getting that process done?

10 A. Yes, the developer has had difficulties in
11 getting those because it requires the water company to
12 have a Certificate of Convenience and Necessity for that
13 property prior to the developer filing those documents.

14 Q. And you anticipate that process moving along
15 after the hearing?

16 A. I anticipate it will promptly move along after
17 the decision to be added into our certificated area. I
18 expect those documents to be prepared fairly promptly,
19 after the application is decided upon and that the
20 property is added to our Certificate of Convenience and
21 Necessity.

22 Q. Mr. Schneider, does that area already have a
23 designation of assured water supply?

24 A. The only outstanding item listed in the
25 assured water supply is the water company be able to

1 provide a Certificate of Convenience and Necessity for the
2 119 remaining acres.

3 Q. Did the developer contact you requesting this
4 extension?

5 A. Yes, he did.

6 Q. Was there a letter marked in the application
7 requesting that development?

8 A. I believe there is.

9 MR. RONALD: One moment, Your Honor.

10 (Brief pause.)

11 MR. RONALD: No further questions, Your Honor.

12 ALJ RODDA: Thank you.

13

14

EXAMINATION

15 BY ALJ RODDA:

16 Q. I think you just testified that in the
17 application it talks about the phase-in or the development
18 of the phases?

19 A. Correct.

20 Q. Can you find that in the application for me.

21 A. If you refer to the main extension agreement,
22 Exhibit D as in David, which is one of the documents.

23 Q. I see.

24 A. It refers to the water line to be constructed
25 as part of Phase I, and the water line to be constructed

1 as part of Phase II.

2 Q. So I take it from your testimony that you
3 don't anticipate any problem with obtaining the
4 certificate of assured water supply for this extension
5 area within the years that Staff has recommended?

6 A. No. There is actually a letter from the
7 Arizona Department of Water Resources dated November 18th
8 of 2004 which lists the only deficiency remaining is a
9 decision order from the Arizona Corporation Commission
10 approving the extension of the Certificate of Convenience
11 and Necessity for Arizona American Water Company, Tubac
12 system. I feel that once the application has been
13 approved, the certificate of assured water supply for this
14 development will be granted.

15 Q. Just so I understand, so I describe it
16 accurately when I prepare an order, the request you're
17 making here is for 119 acres or 118 acres?

18 A. 119, approximately.

19 Q. Out of a development that is actually 150 some
20 acres. Is it all residential homes?

21 A. The total development is approximately 254
22 acres, Your Honor, and it is primarily residential homes,
23 but there is a commercial development as well.

24 Q. Even if it's being referred to as the Tubac
25 Golf Resort, it's on a golf course of the development?

1 A. There is not a component that we won't provide
2 service to.

3 Q. That's a more accurate answer to my question.

4 And I know you testified that you're in
5 compliance with the Commission requirements and with ADEQ.
6 Are you current with your sales and property taxes?

7 A. Yes, we are.

8 Q. So I take it also that you don't anticipate
9 any problem with the developer being able to provide you
10 the approval to construct so you can file those within a
11 year?

12 A. No.

13 ALJ RODDA: I don't have any further
14 questions. Did you have any redirect, Mr. Marks?

15

16 REDIRECT EXAMINATION

17 BY MR. MARKS:

18 Q. This letter, Exhibit A-3, from DWR,
19 Mr. Schneider, I'd like to show you what's been marked as
20 Exhibit A-3, is the letter you were referring to Tubac
21 Management from Department of Water Resources.

22 A. Yes, it is.

23 MR. MARKS: I'd like to also ask that Exhibit
24 A-3 be admitted into evidence.

25 ALJ RODDA: Any objection to A-3?

1 (No response.)

2 ALJ RODDA: Hearing no objection, Exhibit A-3
3 is admitted.

4 Any further questions by anyone?

5 (No response.)

6 ALJ RODDA: Thank you, Mr. Schneider, you may
7 step down.

8 THE WITNESS: Thank you, Your Honor.

9 (The witness was excused.)

10 ALJ RODDA: While he's doing that, I'll ask
11 Mr. Wene, based on his testimony, did you want to put on a
12 witness or do you think he accurately described your
13 development?

14 MR. WENE: Your Honor, Steve Wene for Tubac
15 Golf Resort, L.L.C. Mr. Schneider did accurately describe
16 the project but there is one issue that I would like to
17 get resolved with a witness, if I could call him, Your
18 Honor.

19 ALJ RODDA: Please call him.

20 MR. WENE: Mr. Rod Siler.

21

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1 ROD SILER,
2 called as a witness, having been first duly sworn by the
3 Certified Court Reporter to speak the truth and nothing
4 but the truth, was examined and testified as follows:

5

6 DIRECT EXAMINATION

7 BY MR. WENE:

8 Q. For the record, can you please state your
9 name.

10 A. Rod Siler.

11 Q. Mr. Siler, can you state your title or titles
12 for the record?

13 A. I am president of Tubac Golf Resort Homeowners
14 Association. I also serve as president of Tubac Golf
15 Resort.

16 Q. Thank you. Are you familiar with the project
17 that is being proposed, which the CC&N extension was
18 served?

19 A. Yes, I am.

20 Q. Do you know what entity is going to provide
21 wastewater treatment?

22 A. The wastewater treatment will be provided by
23 the homeowners association.

24 MR. WENE: Your Honor, that's all the
25 questions I have for the witness.

1 EXAMINATION

2 BY ALJ RODDA:

3 Q. You are currently providing wastewater for the
4 existing development?

5 A. For the resort itself, and for a handful of
6 homeowners. The new association has about half a dozen
7 new homes being provided service through the system, yes.

8 ALJ RODDA: Do you have any questions,
9 Mr. Ronald?

10 MR. RONALD: Yes, Your Honor.

11

12 CROSS-EXAMINATION

13 BY MR. RONALD:

14 Q. Good morning, Mr. Siler. You're going to be
15 providing the wastewater for this area?

16 A. Yes.

17 Q. And do you have an aquifer protection permit?

18 A. I don't know, I'm not certain.

19 Q. How about a reuse permit?

20 A. I don't know for sure. I will tell you this
21 wastewater facility has been in operation for many years.

22 The new, at the new facility.

23 Q. That's a facility you're taking over. When
24 did you get involved with this facility?

25 A. I've been at the resort, the facility for 14

1 months. I arrived at the resort 14 months ago, and the
2 facility has been in existence for many years.

3 Q. Do you have prior experience working with
4 wastewater treatment?

5 A. No.

6 Q. Are you familiar in the process trying get the
7 proper permits for the wastewater component?

8 A. The existing wastewater facility is permitted.
9 There is a new facility being constructed. Not yet.

10 Q. That would be in the extension area?

11 A. Correct.

12 Q. That's the one you're going to look into the
13 aquifer protection permit and the other permits?

14 A. Correct.

15 Q. Do you believe that there will be enough
16 capacity to take care of the wastewater?

17 A. Yes.

18 Q. Are there any plans on what the company is
19 going, or what the association will do with the effluent,
20 will that be going to the golf course?

21 A. Yes, it will be used on the golf course.

22 MR. RONALD: No further questions, Your Honor.

23 ALJ RODDA: Mr. Marks, do you have any
24 questions?

25 MR. MARKS: No questions, Your Honor, thank

1 you.

2

3

FURTHER EXAMINATION

4 BY ALJ RODDA:

5 Q. Before you go, is the Tubac Golf Resort of
6 which you are the president, are they the developer of
7 this new area?

8 A. Yes.

9 Q. And are you actually doing the construction or
10 do you have a homebuilder that comes in and does that?

11 A. We don't -- we're constructing the resort
12 facilities. The residences are being constructed by a
13 private builder.

14 Q. And can you tell me a little bit about your
15 background. I mean, how did you end up down there?

16 A. I am a resort manager, went to hotel school
17 and have been in resort management for the last 30 years.
18 My expertise is really on the operations side. I'm not
19 really on the development side of this.

20 Q. And for the existing wastewater treatment, is
21 there a certified operator that you hire to run the
22 facility for you?

23 A. Yes, we contract that to a certified operator.

24 Q. That's probably a good thing.

25 A. Yes.

1 ALJ RODDA: Okay. Did you have anything on
2 redirect?

3 MR. WENE: Not for this witness, Your Honor,
4 but I would like to call Chrisinda Ballew as an additional
5 witness to clarify the permitting matters.

6 ALJ RODDA: Excellent, thank you. Mr. Siler
7 can't get off the stand fast enough.

8 (The witness was excused.)
9

10 CHRISINDA BALLEW,
11 called as a witness, having been first duly sworn by the
12 Certified Court Reporter to speak the truth and nothing
13 but the truth, was examined and testified as follows:
14

15 DIRECT EXAMINATION

16 BY MR. WENE:

17 Q. Thank you. Ms. Ballew, can you, for the
18 record, tell the court reporter what your title is?

19 A. I am a project manager. I run the water and
20 wastewater department at the WLD Group.

21 Q. Can you briefly describe your education.

22 A. I have a bachelor's degree in general business
23 and a second bachelor's degree in civil engineering.

24 Q. Are you a certified engineer for the State of
25 Arizona?

1 A. Yes, I'm a professional engineer.

2 Q. Please briefly describe your work experience.

3 A. From '95 to '97, I worked for the WLD Group as
4 a hydrologist right out of college, then from '97 to '98,
5 I worked for a company called West Land Resources as a
6 civil designer. I was an engineer in training at the
7 time, and I worked on water and wastewater projects. And
8 then from '98 to 2001, I worked for a company called EEC
9 as an assistant project manager in land development,
10 roadway projects, some water and wastewater projects,
11 several different varieties. Then I took a break for
12 about a year, traveled through Europe, and when I came
13 back in 2002, I went back to work for the WLD Group, and
14 I'm still there to date and I run the water/wastewater
15 department.

16 Q. Are you familiar with the project that we're
17 here discussing today?

18 A. Yes, I am.

19 Q. Can you briefly describe your experience with
20 this project?

21 A. I prepared a sewer basin study for what we
22 call the settlement area of the 236 acres. I also
23 prepared a water master plan which showed the
24 infrastructure required and the new demands that will be
25 placed on the Arizona American Water Company system.

1 Q. Thank you. Earlier Staff's attorney was
2 asking questions about the aquifer protection permit and
3 the real use permits that are normally necessary for
4 wastewater treatment plants to operate.

5 A. Yes.

6 Q. Are you familiar with where the project is in
7 the permitting process?

8 A. I have worked with West Land Resources. They
9 originally worked on the initial general permit that was
10 issued for the homeowners association, the resort. In
11 Arizona, a wastewater treatment facility can operate up to
12 20,000 gallons per day under a general permit. When you
13 exceed that amount you have to apply for aquifer
14 protection effluent. If you're going to reuse effluent
15 you need a reuse permit. They have sent me copies that
16 have been submitted, and I did see an ad of a public
17 notice in the Nogales paper that ran three weeks ago for
18 the aquifer protection permit. They are very close to
19 receiving a permit, and including a reuse permit on one of
20 the golf courses. I believe they will be putting them
21 into one of the lakes and blending the groundwater with
22 the effluent for reuse.

23 Q. Based on your experience and where the
24 applications are to date, do you know of any reason why
25 those permits would be denied or would be held up for any

1 reason?

2 A. No. Typically, you wouldn't go to public
3 notice until ADEQ, the Arizona Department of Environmental
4 Quality, felt very confident about issuing the permit. So
5 it usually takes about 30 to 45 days after the public
6 notice runs to receive the approved aquifer protection
7 permit.

8 MR. WENE: Your Honor, I have no further
9 questions for this witness.

10 ALJ RODDA: Thank you very much.

11 Mr. Ronald, did you have any questions?

12 MR. RONALD: No.

13 ALJ RODDA: Mr. Marks?

14 MR. MARKS: No questions.

15 ALJ RODDA: You answered all my questions,
16 thank you. I'm glad you were here.

17 (The witness was excused.)

18 ALJ RODDA: Thank you, Mr. Wene for bringing
19 your witnesses today.

20 MR. WENE: Thank you, Your Honor.

21 ALJ RODDA: Mr. Fisher, you want to come on
22 up.

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1 JIM FISHER,
2 called as a witness, having been first duly sworn by the
3 Certified Court Reporter to speak the truth and nothing
4 but the truth, was examined and testified as follows:

5

6 DIRECT EXAMINATION

7 BY MR. RONALD:

8 Q. Good morning, Mr. Fisher.

9 A. Good morning, Mr. Ronald.

10 Q. Please tell us your name and business address.

11 A. My name is Jim Fisher, my business address is
12 Arizona Corporation Commission, Utilities Division, 1200
13 West Washington, Phoenix, Arizona.

14 Q. And what do you do at the Commission?

15 A. I'm an executive consultant with the Arizona
16 Corporation Commission Utilities Division. I'm in charge
17 of a group that reviews applications for water and
18 wastewater Certificates of Convenience and Necessity and
19 extensions as well as transfers, and I also do some
20 technical writing and investigation.

21 Q. Did you review an application from Arizona
22 American Water Company to extend their Certificate of
23 Convenience and Necessity?

24 A. Yes, sir, I did.

25 Q. Did you prepare a Staff report for this case?

1 A. Yes, sir.

2 Q. You should have in front of you what's
3 previously been marked as S-1. Can you tell us what that
4 is?

5 A. Yes, sir, S-1 is a December 17th, 2004 Staff
6 report on Arizona American Water company's application for
7 an extension in docket W-01303A-04-0602.

8 Q. And S-1 was prepared by you?

9 A. Yes, sir.

10 Q. Did you receive assistance from anyone else
11 from Staff?

12 A. Certainly. I received assistance from
13 Mr. Marlin Scott, a Staff engineer, as well as Barb Wells,
14 our mapping specialist, and some administrative
15 assistants.

16 Q. Will you be adopting their portions of the
17 report today?

18 A. Certainly.

19 Q. At this time do you have any changes or
20 additions or corrections to S-1?

21 A. Yes, sir, I do.

22 Q. Would you please go through those.

23 A. If would take a look at the executive summary,
24 there's just a couple small changes. None of them are
25 material or change any of the recommendations. It's

1 merely for clarity of the record.

2 On the second paragraph, where it says three
3 quarters, it should be one quarter of a square mile, to be
4 consistent with the acreage requested.

5 If you look at Page 1 of the report, first
6 paragraph under the extension request, we'll make the same
7 change, changing the existing three quarters to one
8 quarter.

9 If you look at Page 2, subsequent to making
10 the report, there were some changes. Staff was informed
11 by Mr. Wene, and we've accepted those changes with the
12 documentation, so that the Project No. 2, Tubac Golf
13 Resort number, it currently reads 719,950. That should be
14 changed to 689,177, which, of the function of math,
15 changes the bottom line number of the 1, 079, 839, that
16 should now read \$1,058,066.

17 Then attached to Staff's combined report is a
18 memorandum from the Staff engineer, Mr. Scott. Those
19 changes that I just discussed should also be reflected in
20 Mr. Scott's report, where, in the first paragraph of
21 Mr. Scott's report, the three quarters should be changed
22 to one quarter, and the 689, 177 should be reflected, as
23 well as the 1,058,066 should also be reflected to be
24 consistent. And those are my changes.

25 Q. Mr. Fisher, do you adopt this report as

1 amended as your sworn testimony today?

2 A. Yes, sir, I do.

3 Q. Would you briefly summarize the
4 recommendations.

5 A. Staff recommends that the Commission approve
6 the Arizona American Certificate of Convenience and
7 Necessity extension request subject to compliance with
8 four conditions. Those four conditions are that Arizona
9 American should charge its authorized rates and charges in
10 the extension area, that the Commission require Arizona
11 American to file with Docket Control a copy of the Arizona
12 Department of Environmental Quality approval to construct
13 the water facilities within 365 days of any decision in
14 this matter, that the Commission require Arizona American
15 to file with Docket Control a report on the arsenic levels
16 and the production wells and the associated treatment
17 within 365 days, and that the Commission require Arizona
18 American to file with Docket Control a copy of the
19 developer's certificate of assured water supply within 365
20 days.

21 Staff further recommends that the Commission
22 decision granting the CC&N to Arizona American be
23 considered null and void without any further order of the
24 Commission should the company fail to meet conditions 2,
25 3, and 4 within the time specified.

1 Q. Are you satisfied Arizona American is capable
2 of providing service to this area?

3 A. Certainly.

4 Q. As far as you know, is the applicant in
5 compliance with all DEQ requirements?

6 A. Yes, sir. If you'll look at Page 3, there is
7 a discussion on our review of the company, and ADEQ, and
8 the only issue that it points to is that ADEQ certificate
9 of approval to construct for the facilities has not been
10 received.

11 Q. Did Staff have any concerns about the
12 certificate of assured water supply after hearing the
13 testimony today?

14 A. No. Staff also had received the deficiency
15 letter from the Department of Water Resources indicating
16 that prior to issuance of the certificate of assured water
17 supply, a designated provider would need to be identified.
18 Staff is confident that subsequent to the issuance of this
19 order, Department of Water Resources will be able to
20 provide the assured water supplies to the designated
21 provider which then can be forwarded to the company and to
22 Staff.

23 Q. As far as you know, the applicant is current
24 in all property taxes?

25 A. To the best of my knowledge they are.

1 Q. Is the company in compliance with all
2 Commission orders?

3 A. Yes, they are.

4 Q. Was Staff satisfied with the explanation
5 regarding how the wastewater will be provided in this
6 area?

7 A. Yes, Staff understood it to be a homeowners
8 association that was preexisting and providing service to
9 a portion of the facilities. We understand that the APP
10 has been noticed on the public notice, and indicates that
11 an APP or aquifer protection permit will be forthcoming.
12 Staff is also confident that the reuse permit for the
13 utilization of the effluent on turf facilities is good
14 groundwater management and that the homeowners association
15 has demonstrated that they are in compliance with the
16 Clean Water Act, with the best available control
17 technologies associated therein and that the wastewater
18 treatment will be provided appropriately.

19 Q. Is Staff satisfied of the company's plan to
20 address the arsenic issues?

21 A. Yes, Staff is familiar with the iron media
22 filtration treatment issue and we look forward to the
23 company implementing that to ensure that they meet the
24 federal standard.

25 Q. Does Staff continue to support this

1 application?

2 A. We sure do.

3 Q. Is there anything else you wish to add?

4 A. It's a pleasure being up here on the bench
5 with the judge. That's all I'd like to add.

6 MR. RONALD: Thank you, Mr. Fisher.

7 No further questions. We move for the
8 admission of Exhibit S-1.

9 ALJ RODDA: Any objections to S-1?

10 (No response.)

11 ALJ RODDA: Hearing none, S-1 is admitted.

12 Mr. Wene, do you have any questions for this witness?

13 MR. WENE: No, Your Honor.

14 ALJ RODDA: Mr. Marks?

15 MR. MARKS: No, thank you.

16 ALJ RODDA: I don't have any questions for you
17 either, Mr. Fisher, so thank you very much.

18 THE WITNESS: Thank you, ma'am.

19 (The witness was excused.)

20 ALJ RODDA: Mr. Marks, did you have any
21 closing you'd like to make this morning?

22 MR. MARKS: No, thank you, Your Honor.

23 ALJ RODDA: Mr. Wene?

24 MR. WENE: No, Your Honor.

25 ALJ RODDA: Mr. Ronald?

1 MR. RONALD: No, Your Honor.

2 ALJ RODDA: Great. With that, I will take the
3 matter under advisement and issue my recommended opinion
4 and order. Thank you all for putting up with our
5 conditions today, I really appreciate your flexibility on
6 that.

7 (The hearing concluded at 11:14 a.m.)

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1 STATE OF ARIZONA)
2) ss.
3 COUNTY OF MARICOPA)
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7 I, CECELIA BROOKMAN, Certified Court Reporter
8 No. 50154 for the State of Arizona, do hereby certify that
9 the foregoing printed pages constitute a full, true and
10 accurate transcript of the proceedings had in the
11 foregoing matter, all done to the best of my skill and
12 ability.
13

14 WITNESS my hand this 27th day of January, 2005.
15
16
17
18

19 
20 _____
21 CECELIA BROOKMAN, RPR
22 Certified Court Reporter
23 Certificate No. 50154
24
25